

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 H-02 L-03 /063 W

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R 031224Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 641

INFO AMEMBASSY BONN

AMEMBASSY ABU DHABI

DEPT OF TREASURY

C O N F I D E N T I A L CAIRO 2849

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

ABU DHABI FOR SECRETARY SIMON

EO 11652 GDS

TAGS: EAID, EGEN, GW, EG

SUBJECT: FAHMY'S APPROACH RE FRG ASSISTANCE

REF: CAIRO 2640

1. FAHMY TELEPHONED THIS MORNING TO SAY HE HAD LAST NIGHT CALLED IN FRG AMBASSADOR STELTZER TO DISCUSS, AMONG OTHER THINGS, GOE'S NEED FOR CONTINUED FRG ASSISTANCE TO OVERCOME LIQUIDITY PROBLEM. HE HAD ASKED STELTZER TO REPORT TO GENSCHEER AND SCHMIDT GOE'S "EXPECTATION" THAT FRG WILL PROVIDE A SOFT LOAN OF ONE BILLION DEUTSCHMARKS IN CY 76. TERMS SHOULD BE CONCESSIONARY WITH GRACE PERIOD OF FIVE YEARS.

2. STELTZER HAD RESPONDED THAT FRG ECONOMIC SITUATION IS NOT GOOD. MOREOVER, THERE ARE FISCAL YEAR PROBLEMS. STELTZER HAD ALSO NOTED THAT FRG IS ALREADY PROVIDING ECONOMIC ASSISTANCE TO EGYPT.

3. FAHMY STATED HE HAD INSISTED GOE REQUEST BE
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SUBMITTED. HAVING IN MIND FRG PROBLEMS CITED BY

STELTZER, HE HAD THEN PROPOSED THAT FRG HELP MIGHT BE IN CONJUNCTION WITH AN OVERALL WESTERN EUROPEAN EFFORT TO ESTABLISH A EUROPEAN DEVELOPMENT FUND SIMILAR TO THE ARAB-EGYPTIAN FUND AGREED UPON DURING SADAT'S RECENT TRIP TO SAUDI ARABIA AND THE GULF.(WHILE HE DID NOT SPECIFICALLY SAY SO, HE MAY HAVE HAD IN MIND AN EEC EFFORT.) DEPENDING UPON CAPITALIZATION, EGYPT MIGHT THEN BE ABLE TO DRAW 25 PERCENT IN CY 76 TO MEET ITS LIQUIDITY REQUIREMENTS. FUND SHOULD BE SET UP TO OPERATE FOR A NUMBER OF YEARS AND USG PARTICIPATION WOULD BE WELCOME. ACCORDING FAHMY, STELTZER HAD BEEN PERSONALLY RECEPTIVE TO THIS IDEA. IN SUCH A CONTEXT, STELTZER REPORTEDLY OPINED, FRG HELP MIGHT BE POSSIBLE.

4. FAHMY SAID HE HAD ALSO STRESSED THAT FRG WOULD BE FIRST COUNTRY SADAT WILL VISIT ON UPCOMING TRIP TO EUROPE. EVEN IF A CAPITALIZATION FIGURE CANNOT BE FIXED BY THAT TIME, HE STRONGLY URGED THAT FRG INITIATIVE BE TAKEN TO ORGANIZE SUCH A FUND. IT WOULD HAVE A POSITIVE EFFECT ON ALL OTHER DONORS.

5. FINALLY, FAHMY ASKED THAT WITH GOE APPROACH TO FRG NOW MADE, USG MAKE FOLLOW-UP APPROACH AS SOON AS POSSIBLE AND CERTAINLY BEFORE SADAT VISIT TO WEST GERMANY BEGINNING MARCH 29.

6. IN CHECKING OUT ABOVE WITH STELTZER, HE GENERALLY CONFIRMED FAHMY'S ACCOUNT, BUT WITH TWO SIGNIFICANT DIFFERENCES. FIRST, ACCORDING STELTZER, FAHMY HAD SPOKEN OF A JOINT EEC-JAPANESE EFFORT. IF HE HAD A FUND IN MIND, STELTZER SAYS THE TERM WAS NOT USED. SECOND, WHILE STELTZER HAD AGREED SUBMIT FAHMY REQUEST TO BONN, HE WAS NOT AS POSITIVE AS FAHMY SUGGESTED THAT FRG WOULD BE ABLE HELP EVEN IN A JOINT CONTEXT. HOWEVER, STELTZER PERSONALLY WOULD LIKE TO BE AS RESPONSIVE AS POSSIBLE TO EGYPTIAN REQUEST. HE IS VERY CONSCIOUS OF IMPORTANCE TO SADAT'S REGIME AND EGYPTIAN STABILITY OF OUTSIDE HELP TO ASSIST GOE OVERCOME ITS CURRENT LIQUIDITY CRISIS.

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